

A photograph of a white lighthouse with a glowing lantern room, set against a dramatic, cloudy sky. The lighthouse is positioned in the lower right quadrant of the image. The sky is filled with soft, grey clouds, and the overall lighting suggests a dusk or dawn setting. The lighthouse has a cylindrical body with small windows and a glass-enclosed lantern room at the top, which is illuminated from within, casting a warm yellow glow. The image is framed by a dark blue banner at the bottom and white L-shaped corner markers in the top-left and bottom-right corners.

Octopus Protected VCT

Unaudited Interim Report and Accounts
For the period ended 31 July 2007

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Financial Highlights

	Six months to 31 July 2007	Period to 31 January 2007
Net assets	£25,983,000	£6,417,000
Net revenue/(loss) before tax	£175,000	£(14,000)
Revenue/(loss) per share	0.8p	(1.0)p
Total return/(loss) per share	0.7p	(4.1)p
Net asset value per share	94.9p	93.7p

Octopus Protected VCT plc (“Company” or “Fund”) is a venture capital trust (“VCT”) which aims to provide shareholders with attractive tax-free dividends and long-term capital growth, through investment in a diversified portfolio of UK smaller companies, mostly in the form of mezzanine debt.

The Investment Manager is Octopus Investments Limited (“Octopus”). The Company was launched in July 2006 and raised over £27.1 million (£25.9 million net of expenses) through an offer (“the Offer”) for subscription by the time it closed on 5 April 2007.

Chairman's Statement

I am pleased to be presenting to you the interim results of Octopus Protected VCT plc for the six-month period to 31 July 2007.

Background

The Fund opened in July 2006 and had raised £27 million by the time it closed on 5 April 2007, making it the second largest VCT launched in the 2006/2007 tax year.

Net Asset Value ('NAV')

The NAV per share at 31 July 2007 was 94.9p, which is an increase of 0.4p from the initial NAV. Since the close of the Offer, the net proceeds have been actively managed by our cash managers and are now generating income for the Fund, leading to a slight uplift in NAV.

Investment Portfolio

During the first half of the period under review, the Fund was engaged in seeking investors rather than looking to make investments. As such, only one qualifying investment, of £100,000 in British Country Inns 3 plc, was held at the period end. However, Octopus has taken an active approach to managing the cash raised through the Offer prior to its investment in qualifying companies. The funds raised have been invested by Goldman Sachs International in a range of money market securities.

Investment Process

The Fund targets investments into companies that operate in sectors where there is a high degree of predictability. Ideally, these companies will have contractual revenues from financially sound customers and will provide the opportunity for an exit within three to five years.

Before investing in a company, the fund managers at Octopus will conduct their own fundamental analysis. This will include a thorough review and analysis of the company's business plan, meetings with management teams, and a detailed evaluation of the company's financial projections. This analysis will focus on the level of revenue visibility within the business and the extent to which this revenue is contractually agreed.

Share Price and Buy-Back Facility

The Fund has a share buy-back facility, proposing where possible to buy-back shares at no more than a 10% discount to the prevailing NAV. This should assist the marketability of the shares and help prevent the shares from trading at a wide discount to NAV. The Fund's mid market share price currently stands at 95p.

Shareholders should note that if they sell their shares within five years of the original purchase they forfeit any income tax relief obtained. If you need to sell your shares, please contact Octopus on 020 7710 2800.

VCT Qualifying Status

The Fund must be 70% invested in qualifying companies by 31 January 2010, and maintain this level on a day by day basis thereafter, in order to comply with VCT regulations. The

Chairman's Statement (continued)

Directors will monitor the Fund's progress towards meeting and maintaining HM Revenue and Customs' conditions for VCT approval and have retained PricewaterhouseCoopers LLP, one of the UK's leading firms of accountants, to advise in this area.

Outlook

Since the fundraising period came to an end, the investment team have met with the management teams of a number of companies which may lead to suitable investment opportunities. We will update you in due course with regard to investments that have been completed.

We are confident that we will be able to build a portfolio which will be well positioned to deliver attractive returns to shareholders in the medium-term.

Tony Morgan
Chairman

26 September 2007

Investment Manager's Review

We are delighted that the Fund raised over £27 million by the time the Offer closed on 5 April 2007. As is usual for a VCT in its early stages, the Fund has yet to make many investments. However, early in April this year, the Fund invested £100,000 in British Country Inns 3 plc. In line with British Venture Capital Association guidelines, the investment is currently held at cost for valuation purposes.

Review of Investments

Although only one small qualifying investment was held at the period end, the Fund has taken an active approach to managing the cash raised through the Offer prior to its investment in qualifying companies. The funds raised have been invested by Goldman Sachs International in a range of money market securities.

Personal Service

At Octopus, we pride ourselves not only on our team's track record but also on our personalised customer service. We believe in open communication and our regular updates are designed to keep you involved and informed.

Octopus, founded in 2000, is one of the UK's fastest growing fund management companies. The company is committed to bringing innovative, high-return products to the broadest possible market. Octopus currently manages almost £400 million on behalf of more than 11,000 investors. Octopus is one of the largest VCT managers in the UK and was recently voted 'Best VCT Provider of the Year 2007' in the Professional Adviser Awards (voted for by financial advisers).

If you have any questions about this review, or if it would help to speak to one of the fund managers, please do not hesitate to contact us on 020 7710 2800.

Income Statement

	Six months to 31 July 2007			Period to 31 January 2007		
	Revenue £'000	Capital £'000	Total £'000	Revenue £'000	Capital £'000	Total £'000
Realised gain on investments	–	49	49	–	–	–
Unrealised gain on investments	–	90	90	–	–	–
Income	375	–	375	63	–	63
Investment management fees	(52)	(156)	(208)	(13)	(40)	(53)
Other expenses	(148)	–	(148)	(64)	–	(64)
Profit/(loss) on ordinary activities before taxation	175	(17)	158	(14)	(40)	(54)
Taxation on profit/(loss) on ordinary activities	–	–	–	–	–	–
Profit/(loss) on ordinary activities after taxation	175	(17)	158	(14)	(40)	(54)
Return/(loss) per share	0.8p	(0.1)p	0.7p	(1.0)p	(3.1)p	(4.1)p

- the total column of this statement is the profit and loss account of the Company
- all revenue and capital items in the above statement derive from continuing operations
- the accompanying notes are an integral part of the financial statements
- the Company has only one class of business and derives its income from investments made in shares and securities and from bank and money market funds.

Reconciliation of Movements in Shareholders' Funds

	Six months to 31 July 2007 £'000	Period to 31 January 2007 £'000
Shareholders' funds at start of period	6,417	–
Return/(loss) on ordinary activities after tax	158	(54)
Issue of redeemable non-voting preference shares	–	50
Redemption of redeemable non-voting preference shares	–	(50)
Net proceeds of share issue	19,408	6,471
Shareholders' funds at end of period	25,983	6,417

Balance Sheet

	As at 31 July 2007 £'000	As at 31 January 2007 £'000
Fixed asset investments	100	–
Current assets:		
Investments – money market securities	25,411	6,337
Debtors	523	3
Cash at bank	7	703
	26,041	7,043
Creditors: amounts falling due within one year	(58)	(626)
Net current assets	25,983	6,417
Net assets	25,983	6,417
Capital and reserves:		
Share capital	2,739	685
Share premium	23,140	5,786
Capital reserve - realised	(147)	(40)
- unrealised	90	–
Revenue reserve	161	(14)
Shareholders' funds	25,983	6,417
Net asset value per share	94.9p	93.7p
Number of shares in issue	27,386,926	6,849,344

Cash Flow Statement

	Six months to 31 July 2007 £'000	Period to 31 January 2007 £'000
Net cash outflow from operating activities	(864)	609
Financial investment:		
Purchase of investments	(100)	–
Management of liquid resources:		
Increase in money market securities	(19,074)	(6,337)
Financing:		
Issue of own shares	20,375	6,775
Share issue expenses	(967)	(254)
Purchase of own shares	–	(50)
Capital reserve realised – capitalised		
management fees	(156)	(40)
Unrealised gains on investments	90	–
Increase/(decrease) in cash resources	(696)	703

Reconciliation of Net Cash Flow to Movement in Cash Funds

	Six months to 31 July 2007 £'000	Period to 31 January 2007 £'000
Increase in liquid resources	18,378	7,040
Opening net liquid resources	7,040	–
Net cash at 31 July/31 January	25,418	7,040

Reconciliation of Operating Profit to Cash Flow from Operating Activities

	Six months to 31 July 2007 £'000	Period to 31 January 2007 £'000
Profit/(loss) on ordinary activities before tax	158	(54)
Unrealised gains on investment	(90)	–
Capitalisation of management fees	156	40
Increase in debtors	(520)	(3)
Increase/(decrease) in creditors	(568)	626
Net cash (outflow)/inflow from operating activities	(864)	609

Notes to the Interim Financial Statements

1. Basis of Preparation

The unaudited interim results which cover the six months to 31 July 2007 have been prepared in accordance with applicable accounting standards and adopt the accounting policies set out in the statutory accounts of the Company for the year ended 31 January 2007.

2. Publication of Non-Statutory Accounts

The unaudited interim results for the six months ended 31 July 2007 do not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985 and have not been delivered to the Registrar of Companies.

3. Earnings per Share

The revenue/(loss) per share is based on revenue/(loss) from ordinary activities of £174,732 and on 21,331,195 shares (31 January 2007: £(13,588) and 1,315,350 shares), being the weighted average number of shares in issue during the period.

The total earnings/(loss) per share is based on total earnings/(loss) from ordinary activities of £157,896 and on 21,331,195 shares (31 January 2007: £(53,624) and 1,315,350 shares), being the weighted average number of shares in issue during the period.

There are no potentially dilutive capital instruments in issue and, therefore, no diluted return per share figures are relevant.

4. Net Asset Value per Share

The calculation of net asset value per share is based on the net assets at 31 July 2007 and on 27,386,926 shares being the number of shares in issue at the same date (31 January 2007: 6,849,344).

5. During the six months ended 31 July 2007 the Company issued 20,537,582 ordinary shares at a price of 100p relating to the initial fundraising period. The Company did not buy back any shares during the same period.

6. Copies of this statement are being sent to all shareholders. Copies are also available from the registered office of the Company at 8 Angel Court, London, EC2R 7HP.

